

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 2041 - Military Tax Exemption (LSB 5225 XS)

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Fiscal Note Version - New

Requested by Senator William A. Dotzler, Jr.

Description

Senate File 2041 doubles the amount of the military service property tax exemption and the State reimbursement rate over a five-year period.

Assumptions

1. There are an estimated 192,652 veterans who receive the military service property tax credit.
2. The consolidated tax rate is assumed to be \$33.46 per \$1,000 of taxable valuation, and the school uniform levy is \$5.40 per \$1,000 of taxable valuation.
3. The decrease in revenue raised by the uniform levy will be offset by a corresponding increase in State Foundation Aid to school districts. The additional levy rates will increase to offset the decrease in taxable valuation for that portion of the school districts' budgets.
4. Other local property taxes will offset the valuation decreases with higher rates to the extent local taxing authorities are not at their limits or be absorbed within the local budgets.
5. The following are the exemption and reimbursement changes by SF 2041 and the projected impact on taxable valuation and local property taxes without offsetting rate increases.

	Current Law		Proposed Law			
	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Exempt Value per Veteran	\$ 1,852	\$ 2,222	\$ 2,593	\$ 2,963	\$ 3,334	\$ 3,704
State Reimbursement Rate	6.92	8.30	9.69	11.07	12.46	13.84
Exempted Taxable Value (\$ in millions)	356.8	428.1	499.5	570.8	642.3	713.6
Local Property Tax Value (\$ in millions)	11.9	14.3	16.7	19.1	21.5	23.9

Fiscal Impact

Senate File 2041 will increase the military service property tax reimbursement and the schools' State Foundation Aid, both of which are paid from the State General Fund. The estimated impact is:

(Dollars in Millions)

	Current Law		Proposed Law			
	FY 2007	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Military Service Tax Credit	\$ 2.5	\$ 3.6	\$ 4.8	\$ 6.3	\$ 8.0	\$ 9.9
State Foundation Aid	1.9	2.3	2.7	3.1	3.5	3.9
Total State General Fund	<u>\$ 4.4</u>	<u>\$ 5.9</u>	<u>\$ 7.5</u>	<u>\$ 9.4</u>	<u>\$ 11.5</u>	<u>\$ 13.7</u>

	Change from		Change from Previous Year			
	Current Law					
Military Service Tax Credit	\$ 1.1	\$ 1.3	\$ 1.5	\$ 1.7	\$ 1.9	
State Foundation Aid	0.4	0.4	0.4	0.4	0.4	
Total State General Fund	<u>\$ 1.5</u>	<u>\$ 1.7</u>	<u>\$ 1.9</u>	<u>\$ 2.1</u>	<u>\$ 2.3</u>	

Sources

Department of Management
Iowa State Association of Counties

/s/ Holly M. Lyons

February 20, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
